

**MINUTES  
of the  
SECOND MEETING  
of the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**July 8-9, 2013  
San Juan College, Farmington, NM**

The second meeting of the Economic and Rural Development Committee (ERDC) for the 2013 interim was called to order at 10:21 a.m. by Senator Howie C. Morales, chair, on Monday, July 8, 2013, at the Zia Conference Center at San Juan College in Farmington.

**Present**

Sen. Howie C. Morales, Chair  
Rep. Debbie A. Rodella, Vice Chair  
Sen. Jacob R. Candelaria  
Rep. Ernest H. Chavez  
Sen. Phil A. Griego  
Sen. Ron Griggs  
Rep. Yvette Herrell  
Sen. Richard C. Martinez  
Sen. Pat Woods

**Absent**

Rep. George Dodge, Jr.  
Rep. Nora Espinoza  
Rep. Mary Helen Garcia  
Rep. Dianne Miller Hamilton  
Sen. Michael Padilla

**Advisory Members**

Sen. Lee S. Cotter  
Rep. Sandra D. Jeff (July 9)  
Rep. Georgene Louis  
Rep. Patricia A. Lundstrom (July 9)  
Rep. James Roger Madalena  
Sen. John Pinto (July 9)  
Rep. William "Bill" R. Rehm  
Rep. James E. Smith  
Rep. Monica Youngblood

Sen. Craig W. Brandt  
Rep. Zachary J. Cook  
Sen. Timothy M. Keller  
Sen. Carroll H. Leavell  
Sen. Mark Moores  
Sen. Mary Kay Papen  
Rep. Patricia Roybal Caballero  
Rep. Nick L. Salazar  
Rep. Thomas C. Taylor

(Attendance dates are noted for members not present for the entire meeting.)

**Staff**

Monica Ewing, Staff Attorney, Legislative Council Service (LCS)  
Tessa Ryan, Staff Attorney, LCS  
Abby Wolberg, Law Student Intern, LCS

**Guests**

The guest list is in the meeting file.

## **Handouts**

Copies of all handouts are in the meeting file.

## **Monday, July 8**

### **Call to Order**

Senator Morales welcomed the committee and members of the audience and asked committee members and staff to introduce themselves.

Dr. Toni Hopper Pendergrass, president of San Juan College, and Scott Eckstein, chair of the San Juan County Commission and mayor of Bloomfield, gave opening remarks. San Juan College serves 18,000 students annually and is the second-largest community college in New Mexico and the fourth-largest institution in the state. The national average age of college students is 27, but at San Juan College it is 36. San Juan College's student demographics include 50% Anglo, 30% Native American and 14% Hispanic or Latino. Eighty-five percent of the school's students are first generation students. Dr. Pendergrass expressed excitement about the school's new School of Energy and described the college's Science, Technology, Engineering and Mathematics (STEM) Project planned for the upcoming year. Mr. Eckstein and Dr. Pendergrass discussed Four Corners Economic Development, Inc., which includes programs aimed at diversifying San Juan County's economy.

### **2013 Legislation Update: House Bill 641 (HB 641) and Economic Development-Related Tax Bills**

Demesia Padilla, secretary of taxation and revenue, discussed HB 641 (see handout marked Agenda Item 1) and stated that it indicates a change in how corporate income tax is viewed in New Mexico. The bill makes New Mexico more competitive in corporate America.

HB 641 requires mandatory reporting for corporations with large retail facilities. Secretary Padilla said the reporting requirement for corporations that employ more than 750 people in a non-retail capacity will encourage those corporations to expand in non-retail areas. She said she has already been contacted by parties interested in expansion. Secretary Padilla explained that single-weighted scales will encourage manufacturers to expand capital investments and hire more people in New Mexico. She said the combined fiscal impact of provisions in HB 641 will be positive, though separately, the impacts could be negative. Certain provisions do not go into effect until 2014 and will be phased in over several years.

Secretary Padilla said the municipal and county hold harmless distribution reductions will be phased in over 17 years to mitigate negative fiscal impacts. Municipalities with fewer than 10,000 people and counties with fewer than 48,000 people will still receive hold harmless distributions from the general fund. Only 12 large cities will be affected by the reductions.

A committee member asked Secretary Padilla to provide the committee with a list of the cities that will be affected and noted that it is important that smaller cities and towns be made

aware of the fact that certain actions they take could cause them to be included in the hold harmless distribution phase-in provision. Secretary Padilla stated that such a list will be provided and added that she and a colleague have met with city managers to inform them of the situation and risk described by the member.

Secretary Padilla said it was discovered, when drafting legislative measures concerning consumable items, that some things were effectively excluded, providing tax deductions where it was not appropriate and costing communities money. The bill clarifies the definition of "consumable" for purposes of deduction from the gross receipts tax (GRT) in order to bring the definition in line with what is commonly believed to be a manufactured good.

Secretary Padilla also said the high-wage jobs tax credit was revised in HB 641, and fiscal impact reports show that the revision could result in higher revenue for the state. Other changes included in HB 641 include revised definitions of "wages" and "eligible sales", as well as an increase in the wage threshold.

Secretary Padilla said that the \$50 million cap on the film tax credit will remain, but HB 641 provides for a \$10 million rollover for unused annual film credits. This change, along with others, is intended to encourage filming of television series, which, statistics show, could be more beneficial to the state.

## **Questions**

A committee member said that she would like leadership from the 12 cities affected by the hold harmless distribution changes to explain to the committee what impacts those leaders anticipate for their cities. Secretary Padilla said that leaders from Albuquerque, which will be affected the most by the changes, have met with her department, and the leadership did not seem concerned about the impacts. She also stated that Las Cruces leadership is not sure what the fiscal impact on Las Cruces will be. Secretary Padilla said that the department's economist will be available to those communities that need assistance with determining the potential impact their communities could experience. The committee member said that many communities already know how it will affect them and noted that it is problematic that a complete fiscal impact report for HB 641 was not produced until after the session was over.

A member noted his concerns about the fact that small cities may not be able to take advantage of the high-wage jobs tax credit. He said a business may currently be able to take advantage of the high-wage jobs tax credit but, as the wage threshold increases, those businesses may no longer be able to use the credit.

A committee member said that discussion of HB 641 before its passage seemed rushed and that possibly conflicting data were being provided about the bill. Secretary Padilla explained that during the session, economists were working on the many pieces of HB 641 up through the last week before the vote on the bill. She added that the individual pieces of legislation that became HB 641 were discussed at length in committee during the session. The data involved

were changed slightly in the process, but the Legislative Finance Committee now has the most current numbers. The member said he is concerned because the bill was signed into law before the legislature had a chance to see those numbers.

A member asked Secretary Padilla to explain the definition of "consumables", as changed in HB 641. Secretary Padilla said that HB 641 revised the definition of consumables so that it no longer includes, for example, businesses with kitchens that prepare and serve plates of food for immediate consumption. Manufacturers such as tortilla and salsa companies are still considered producers of consumables. The committee member asked how this would affect small business owners. Secretary Padilla said that a place such as a small print shop will be included and that the only businesses excluded are those such as pizza shops that are creating items for immediate consumption.

A member noted that he would like to have a discussion with representatives from Hollywood about whether the film tax credits are fair to New Mexicans. Secretary Padilla stated that an economic consultant will be hired to analyze the impact of the state's film tax credits.

#### **New Mexico Small Business Assistance (NMSBA) Program: 2013 Update**

Genaro Montoya, NMSBA program manager, Sandia National Laboratories (SNL), began by describing the work of the NMSBA. (See handout marked Agenda Item 2.) The program is a partnership between small businesses, Los Alamos National Laboratory (LANL) and SNL, and it provides assistance in the form of lab staff hours to for-profit businesses in New Mexico. The 2012 annual report revealed that between 2000 and 2012, the NMSBA assisted 2,036 businesses in all 33 New Mexico counties, which created or retained 2,874 jobs in the state. (See handout marked Agenda Item 2.)

Belinda Snyder, economic development program manager for LANL, explained that the program concentrates on solving small business needs across multiple industries, while taking into account overall economic impacts. She noted that agriculture, oil and gas, renewable energy and manufacturing industries have all been affected by their program. She introduced a program client who described the benefits his company received through participation in the program.

#### **Questions**

A committee member asked whether the program only serves existing businesses. Mr. Montoya said that the legislation that created the program requires: 1) that the business is an existing company; 2) that the business has a tax identification number; 3) that the business will eventually pay GRT (or is already paying GRT); and 4) that it has the potential to give back to the community. Only small businesses are eligible for NMSBA participation, and this restriction prevents the NMSBA from working with large companies; however, if a small business is working with these large companies, the NMSBA can still work with the small business separately.

Ms. Snyder also explained that there are relationships that can be used to introduce small business owners to investors, but the NMSBA generally does not provide that kind of assistance.

### **Economic Development in Rural and Tribal Communities**

Terry Brunner, state director of rural development, United States Department of Agriculture (USDA), said that many people are not aware of how involved the USDA is in economic development and rural development. (See handout marked Agenda Item 3.) He said that despite a 33% cut in staff and a 20% cut in budget, the USDA has been able to achieve many successes. The priorities of rural development are strategic partnerships and expanding markets, as access to capital is one of the biggest problems for businesses in rural areas. The USDA achieves these goals through three core rural agencies: housing, utilities and business. The USDA also provides large and small home loans to more than 100 New Mexicans every year. It provides assistance for multi-family housing and community facilities. There has been more interest in the community facility loan program from health care facilities recently as a result of current health care reform.

Mr. Brunner suggested that the state could have more success in securing federal money if the state had a more clearly defined plan showing how it would use federal funds. Better coordination of the state's development efforts and priorities, as well as strong community partners who are knowledgeable about accessing federal funds and have the ability to complete funding and loan paperwork and manage grants from start to finish, would help the state in its efforts to secure USDA funding. He added that rural areas have an especially hard time securing such partnerships. The USDA is trying to develop a way to provide local representatives to help communities navigate the funding process.

Jeff Kiely, executive director for the Northwest New Mexico Council of Governments, agreed that in order to move forward in rural New Mexico, the state needs a plan to target resources and to help communities to become eligible for federal grants. These grants hinge on the existence of a cohesive plan so that the federal government knows where the resources it provides need to go and so that a duplication of efforts can be avoided. During the federal stimulus, there were fewer "shovel-ready" projects than the federal government anticipated because communities lacked cohesive plans for projects in need of for funding.

### **Questions**

A committee member asked how small incorporated and unincorporated communities find out about and apply for federal loans and grants. Mr. Brunner explained that the USDA provides grants and loans and has relationships with rural communities' assistance organizations and can only work with public entities or nonprofits. Tribes can apply for the USDA's assistance because they are public entities.

A committee member asked whether the definition of "colonias" could be changed to allow communities that do not otherwise fit the criteria of a colonia to be eligible for much-needed federal funds. Mr. Brunner said that such a change would require revision of federal law

but noted that there have been discussions to set aside money for communities that are in desperate need of funding.

A member asked whether USDA funds could be used together with local funds to complete a project. Mr. Brunner said yes, that the USDA often provides the final funding for projects that were initially locally funded. The committee member asked how a higher education facility would apply for money to build student housing. Mr. Brunner said the USDA makes loans to educational facilities and campuses, which often use revenue from student housing to pay on their USDA loans.

A member asked why many developers could not receive the necessary funding for low-income and multi-family housing in southeastern New Mexico. Mr. Brunner reiterated the difficulties in providing funding when a community does not have a plan in place for the use of the funds or USDA assistance. He added that the local economy in southeastern New Mexico is driven by the oil and gas industry, which experiences frequent booms and busts.

A member asked how the state can coordinate and leverage resources. Mr. Brunner explained that many communities do not know that the resources he identified for the committee exist, so getting information about the resources to communities is important. It is also critical to have people in communities who can navigate the funding process for their communities. He has been asked why New Mexico does not have development offices similar to those in every Texas county. He said New Mexico does not currently have the infrastructure for such offices, and solving local development issues will take time. Bilingual and bicultural navigators who are willing to work with communities to help navigate the day-to-day aspects of applying for USDA assistance would be extremely helpful.

A committee member proposed having someone meet with local officials and educational facilities in order to educate them on federal funding options. Mr. Brunner said it is difficult to know whom to work with in local communities, but he would be happy to receive suggestions and referrals. The USDA has been resourceful and creative with its limited staff and funding and welcomes suggestions for community partners.

### **Uranium Mining in New Mexico: Roca Honda Mine**

John DeJoia, senior vice president of New Mexico operations for Roca Honda Resources, discussed the Roca Honda mine project, a proposed uranium mine in northwest New Mexico. (See handout marked Agenda Item 4.) He said the mine could have a tremendous economic impact, including creation of thousands of direct jobs in Cibola and McKinley counties, as well as other significant economic impacts in the rest of the state.

Mr. DeJoia stated that mining practices are safer today than ever before and that surface disturbance from mining is less than might be expected. He discussed a map in his handout and indicated which mine facilities shown on the map are water treatment plants. He said not all the water is taken out of formations, but that enough is removed for the safety of workers. Page

seven of the handout indicates Roca Honda's approach to water use. Finally, Mr. DeJoia emphasized the large investment — more than \$32 million — he and his partner have made in the mine.

Fernando Martinez, director of the Mining and Minerals Division (MMD) of the Energy, Minerals and Natural Resources Department, explained that mining is different today in terms of safety and in terms of protection of environmental, cultural and natural resources. He noted that the permitting process for mining is meant to preserve and protect resources. Mr. Martinez said that many different agencies — federal, local and tribal — participate in the permitting process. A main objective of his division is to ensure that reclamation takes place. Companies are required to post money in the amount of the cost of reclamation before mining operations begin.

### **Questions**

A committee member asked what feedback on the mine has been received from affected tribes. The presenters noted that a consultation process with the U.S. Forest Service has been under way for several years, and that process has been the main contact with tribes. The affected tribes have been notified through newspapers and through other official processes. There have been face-to-face meetings and visits of the mine properties with tribal members, but no commitments have been made by any participating tribes. The member asked how much consideration would be given to tribal perspective on the mine. Mr. Martinez said regulatory requirements include dealing with the public, and that no company can operate outside the regulations. He added that about half of the tribes support the mine and half do not, especially given the historical issues with mine reclamation. He stated that no mining operations will be on tribal lands.

A member asked where the mine's milling would take place. Mr. DeJoia stated that an operational uranium mill in Utah is a possible milling site. The member asked whether any truck routes on which the uranium might be transported en route to Utah would be eligible for Waste Isolation Pilot Plant (WIPP) funds. Mr. DeJoia replied that it is not certain what route would be taken, so it is not clear whether the route would be eligible for WIPP funds. He added that there is also a possibility that the mine product would be shipped by train.

A member requested that a letter be prepared to the state's congressional delegation requesting a report on funds for legacy uranium mine cleanup and the status of memoranda of understanding with the Bureau of Land Management regarding legacy mine cleanup.

A member asked where the Roca Honda mine project is in the permit application package (PAP) flowchart. (See handout marked Agenda Item 4.) Mr. Martinez said that the project is at the stage involving MMD distribution of PAP for technical review and comments, MMD initiation of tribal consultation and MMD technical review of PAP. The project is in the third or fourth round of technical review.

A member asked where in the process the mine is in terms of permit approval by the Energy, Minerals and Natural Resources Department (EMNRD). Mr. Martinez explained that there are many permits required for this project. Mr. DeJoia estimated the percentage of completion for some of the mine's permits to be 90% for the dewatering permit, 85% for the National Pollutant Discharge Elimination System permit and 90% for the mine permit. The member then asked about the impairment findings in the mine's environmental impact statement. Mr. De Joia stated that, with respect to dewatering, three private wells could be impaired, and Roca Honda Resources has committed to replacing those three wells. He referred to page 7 of his materials.

In response to a question, Mr. DeJoia stated that nothing is introduced into the mine except for workers and equipment. Only extraction takes place, and nothing is injected into the formations except maybe fertilizer as an explosive.

A member suggested that new mine operations might assist with cleanup of old mines. Mr. De Joia responded that his company had committed to perform cleanup of an area across the highway from the mine site, but that area has since been cleared. He added that there will be funds for legacy cleanup, and the company has agreed to have a full-time archaeologist on site at the operation.

In response to a member's questions, Mr. De Joia stated that his company will begin reclamation two years after mine production ceases. All costs of reclamation are borne by the mine operator, which has to post financial assurance into an account in the amount of the cost of cleanup.

Mr. Martinez stated that there are several current applications for uranium mining being handled by his department.

### **Uranium Mining in New Mexico: Tribal Perspectives**

Joe M. Aragon, Jr., first lieutenant governor of the Pueblo of Acoma, thanked the committee for the opportunity to express concerns about the mine. He stated that the Pueblo of Acoma does not oppose mining in the area near Mount Taylor, but the pueblo is concerned about the long-term effects that this mine could have on the area. He then presented an official written statement by the Pueblo of Acoma. (See statement marked Agenda Item 5.) He stressed that the tribes were given information by the mine about certain economic and job benefits that would result from construction of the mine. He asserted that those projections of benefits have been inflated and that there have been discrepancies between reports relating to jobs that will be created from the mine's operation. He said that very few mine workers will be from the local tribal communities and that the mine will not provide jobs for local people, largely because of the lack of skilled and trained laborers in those areas. Therefore, many of the benefits that the mine says it will provide in terms of revenue and jobs will go to other communities.



Lieutenant Governor Aragon also said that the project will affect water resources, which could be permanently lost. Many places have been harmed by past uranium mining, and people are still trying to recover from those past harms. People should be caretakers of the earth for the sake of future generations.

Rex Lee Jim, vice president of the Navajo Nation, expressed the Navajo Nation's concerns about the mine and stated that the nation strongly opposes the mine. Vice President Jim expressed the importance of the mine meeting with tribal entities and engaging in respectful face-to-face dialogue. He outlined concerns, including the more than 520 existing abandoned uranium sites and continued ground water contamination issues. He said that although the federal Environmental Protection Agency and the U.S. Forest Service have regulations in place related to mining, the nation has been treated unjustly by those entities in the past. He added that those regulations were put in place without the involvement of tribes. He referred to the 2005 Dine Natural Resources Protection Act, which prohibits all uranium mining until all cleanup from past mining is completed. Piles of tailings from old mines remain in Tuba City and Shiprock. The federal government is moving tailings from Utah but has no plans in place to remove the tailings from the Navajo Nation. He invited representatives from Roca Honda to visit the Navajo Nation to discuss the project.

Richard B. Luarkie, governor of the Pueblo of Laguna, also presented concerns to the committee. He stated that the pueblo has past experience with uranium mining and is primarily concerned about water conservation, considering the significant amount of water — seven million gallons per day — that would be affected by this and other mining projects in the area. This water use has an economic impact as well, but Roca Honda does not address the economic impact of its mine. He noted that without water, a community's value is lost and the community will be unable to attract business. Governor Luarkie noted that the whole valley, not only the Pueblo of Laguna, could be dried up by mining operations. He hopes that objectivity is present as the state considers approval of this project and emphasized that tribes and the state are both domestic sovereigns. He stated that there needs to be collaboration with tribes, not just consultation. Governor Luarkie also said that reclamation is a good thing if it is done correctly but that even successful reclamation can never replace the water that is lost to mining. He said the Pueblo of Laguna does not oppose economic development but wishes to be mindful of these issues. He stressed the importance of government-to-government work on this issue and also noted that if the mining company will work with tribes and with the state, then sick mine workers can be taken care of.

## **Questions**

A committee member said that even though mine operations might not be on tribal land, tribal land will still be affected, and she would like to hear more information about the impacts of mining on water. She said the state needs to be proactive and not reactive and suggested that the committee look at the cost of mining to local communities.

A member said she would like to know what mines are doing in order to avoid issues caused by past mining practices. First Lieutenant Governor Aragon said that mining techniques have gotten a little better but he wants to advise people to protect water, animals and the land. Governor Luarkie said that the Pueblo of Laguna has not studied particular mines but has studied legacy mining and the downstream effects, including contaminated water that cannot be used for irrigation. He said he has not studied other towns. Vice President Jim said the Navajo Nation has yet to be shown that the mining is safe.

A committee member said that, although it was suggested that there is a communication gap, there is a letter to the tribes included in a draft of the environmental impact statement (EIS). He noted that, apparently, three out of eight tribes chose not to participate in mining communications. There is discussion between tribes, the mines and the state. He added that the tribes are rightly concerned about water but that the EIS estimates that there will not be a drastic impact on water.

### **Uranium Mining in New Mexico: Environmental Concerns**

Nadine Padilla, coordinator for the Multicultural Alliance for a Safe Environment, explained that past "booms and busts" in the uranium industry left widespread poverty and significant health and environmental effects in mining communities in the state. She said that the full extent of the effects from mining is not yet known. Mining communities bear the burden of the after-effects from mining and from the transportation of mine products. Ms. Padilla also said that she does not believe that the removal of water from communities through mining can be beneficial to those communities. There has been significant public interest in this project and that out of 9,000 comments made on an outreach site dedicated to public opinion on the Roca Honda project, 98% of the comments were opposed to the mine.

Eric Jantz, staff attorney for the New Mexico Environmental Law Center, emphasized that three things should be considered with respect to renewed uranium mining: 1) an analysis of the costs to communities, especially with respect to illness and the loss of water resources; 2) an analysis of the actual benefits, considering that the financial benefits are contingent on the value of uranium, which has been low for some time; and 3) the equities of the situation, particularly whether it is fair to hold uranium mines responsible for past mines' actions and whether it is fair to continue to ask communities to host industries that pollute those communities. He suggested that policymakers should closely examine the figures put forth by the mine, and a comprehensive cost analysis should be performed before the mine is operational. (See handout marked Agenda Item 6.)

### **Questions**

A member asked whether the data in Mr. Jantz's handouts were based on uranium mining or some other kind of mining. Mr. Jantz said that the information is based on both in situ and conventional mining but said that the impacts of other types of mining, while different, have certain commonalities with uranium mining, including the pollution of ground water. Mr. Jantz referred to a study produced in 2007 by the Arrowhead Center at New Mexico State University

and to the Environmental Law Center's web site for additional reports on the impacts of uranium mining.

A member asked whether uranium production has been flat. Mr. Jantz said that the uranium commodity price has been flat, that recent information shows that production is operating at one-third of capacity and that there is plenty of capacity in existing mines that has not been exploited. A member asked whether uranium mining should ever be a part of an economy, and Ms. Padilla responded that that question should be left to the communities that would have to host the mine operation.

### **Recess**

The committee recessed for the day at 6:00 p.m.

### **Tuesday, July 9**

### **Call to Order**

Senator Morales reconvened the meeting at 9:12 a.m.

Tommy Roberts, mayor of the City of Farmington, welcomed the committee. Farmington has almost 50,000 people, and San Juan County has 130,000 people. Farmington is a retail hub for 250,000 people who come from communities 70 to 100 miles away. The area has diversified and self-owned utilities, a low gross receipts tax and property tax rate, a readily available and trainable work force and ample water rights. He added that Farmington is trying to diversify its economy so as not to rely so heavily on natural resources. He noted that a good climate and the competitive San Juan Regional Medical Center are other community assets.

### **Community Dental Health Coordinator Programs and Oral Health Care in Rural New Mexico**

Julius N. Manz, D.D.S., and Thomas J. Schripsema, D.D.S., from the New Mexico Dental Association (NMDA), said that New Mexico faces several challenges in terms of its residents' dental health and access to dental care. Tooth decay is the most common chronic disease among children, and it affects their ability to learn and ultimately to contribute to the economy. Dr. Manz and Dr. Schripsema explained that most people in the state are within 50 miles of a dental practice, but the number of people not going to the dentist illustrates that there are other impediments to dental health, such as fear and lack of education about dental health. They introduced the Oral Health Focus 2020 program, which has four areas of focus: prevention and public health; effective funding; education; and practice and work force. (See handout marked Agenda Item 7.) They suggested possible reinstitution of fluoridation of water, which has decreased in some areas over time, in order to prevent tooth decay. Communities might be encouraged to keep their water fluoridated through incentives and the state could realize savings through the preventive measure. Dr. Schripsema suggested implementing a requirement that children have dental examinations prior to attending school. He noted that if children receive early education about dentists, they might be more comfortable with dentists and with dental

care. Dr. Schripsema suggested that the state might appoint someone who understands dental care to have an active presence in the Department of Health (DOH).

Dr. Schripsema said dental insurance differs from medical insurance because the cost of dental care is primarily paid out of pocket, so the GRT on dental services has a significant impact. New Mexico's GRT can be a significant barrier for dentists wanting to come to New Mexico. He suggested addressing this issue to encourage dentists to come to the state.

New Mexico has residents willing to study in the dental field. It is important that the state begin taking steps to establish a dental school in the state. Other dental education action items include funding programs such as the Western Interstate Commission for Higher Education (WICHE), which currently only has funding for 12 New Mexico dental students. A B.A./D.D.S. program similar to the existing B.A./M.D. program could also be established.

Dr. Schripsema and Dr. Manz addressed high student loan debt for dental students, which is a disincentive for dentists considering practicing in rural areas because those positions might not provide salaries sufficient to allow dentists to pay off student loan debt. They suggested public/private partnerships that provide loan repayment incentives and added that existing loan repayment programs require dentists to work for nonprofits, which do not exist in all areas of the state. A possible solution could be a private practice loan repayment incentive.

Lori Wood, community dental health coordinator, Hidalgo Medical Services, explained the position and work of a community dental health coordinator. She was trained as part of an 18-month pilot training program. She said that 34 participants completed the program and are working in 26 communities across seven states. Ms. Wood is the only community dental health coordinator in New Mexico. (See handout marked Agenda Item 7.)

Ms. Wood said that people need to be educated on dental health. It is hard to talk about oral health in general during regularly scheduled dental appointments because of time constraints. Her position requires community health worker skills in addition to dental skills. There is a need for more community dental health coordinators in New Mexico, including in Indian health programs, Head Start programs, the DOH, private practices and schools. Ms. Wood noted that communities she has visited through her work have been excited about oral health and about taking part in her outreach programs. Ms. Wood told the committee about various dental issues that she has been able to resolve, patients' fears she has helped quell and families she has helped educate through her work as a community dental health coordinator.

## **Questions**

A committee member asked whether the NMDA is working with communities on fluoridation of water. Dr. Schripsema and Dr. Manz said yes, there is work at a local level, and the NMDA provides support and research regarding fluoridation. The member asked whether New Mexico gives oral exams to students, as is done in Texas. Dr. Schripsema and Dr. Manz explained that it is not a requirement for all school-age children to see a dentist, but certain

programs, such as Head Start, do require exams. The member asked how many dentists in New Mexico accept Medicaid, and Dr. Schripsema replied that there are 250 to 300 dentists that accept Medicaid on a regular basis out of the 1,000 dentists in New Mexico.

A member asked whether additional community dental health coordinators are being trained. Ms. Wood stated that she went out of state for her education in the pilot program, which has not been renewed yet. Dr. Schripsema said that the NMDA has been talking to Central New Mexico Community College about the program and said that it would not require much of a curriculum change to establish a community dental health coordinator program.

Regarding in-school student dental programs, Dr. Schripsema noted that some time in the 1990s, when Medicaid experienced changes, those programs were largely discontinued. He hopes that a community dental health coordinator will be able to work with communities in order to encourage more dental exams in schools.

A member said that collaboratives can help address the lack of access to dental care in rural communities, but if a person is on Medicaid, Medicaid will not pay for services rendered unless a dentist is part of the collaborative. It is difficult to encourage dentists to live and work in rural areas of the state. Dr. Schripsema said the NMDA has embraced collaborative practice but that there are barriers, including the Medicaid issue the member mentioned, to these practices in rural areas. Dr. Manz said there is a collaborative practice act in place in New Mexico statutes, but there are other economic barriers preventing people from practicing in rural areas. Dr. Schripsema and Dr. Manz said there are many access-to-care issues and that a community dental health coordinator could help overcome some these issues.

### **San Juan College Center for Workforce Training**

Nancy L. Sisson, work force development coordinator for the Center for Workforce Training, described San Juan College's Center for Workforce Training. (See handout marked Agenda Item 8.) She discussed the organizations served by the program and student participation. Ms. Sisson said that companies in the area are very pleased to have central work force training programs available to them.

### **Questions**

A committee member noted that San Juan College's workforce training program is part of a national program and asked whether its operation is determined at a national level or according to the needs of local industries. Ms. Sisson responded that skill-ready tests are standardized so as to ensure that a student is equipped with basic skills and that programs are able to be customized according to industry needs in a given area.

Ms. Sisson said that San Juan College is involved in job incubation. When the community identifies a need in a particular area, a new program can be established in the college, and the college will partner with members of the community.

## **Oil and Gas: Economic Development, Legislation and the Environment — Oil and Gas Industry**

Kent Cravens, director of government affairs for the New Mexico Oil and Gas Association (NMOGA), said that as technology evolves, New Mexico will be able to further tap into its natural resources and create jobs while respecting the environment. New Mexico has some of the largest oil and natural gas reserves in the country, but Texas seems to be able to produce more with fewer obstacles. Certain barriers exist for companies that choose to come to New Mexico. (See handout marked Agenda Item 9.)

Mr. Cravens said that New Mexico's oil and gas industry has to work within federal guidelines, as well as with state and local guidelines. Carol Leach, counsel for Concho Resources, said oil production in Texas has doubled, unlike in New Mexico. Barriers to production in New Mexico are not outrageous but can influence companies to go elsewhere. Ms. Leach said that regulation of the industry is duplicated in some cases and that it involves a lot of time-consuming paperwork. She said that a lot of production is on hold, even though the technology and resources are available.

Mr. Cravens and Ms. Leach suggested rule changes in regulation to reflect safety measures and technological changes made by the oil and natural gas industry. Examples of problematic regulatory areas noted by Mr. Cravens and Ms. Leach include those related to pits and the permitting process for water use. They noted that no such regulation issues exist in Texas. Mr. Cravens said that cap and trade programs in New Mexico have sent the message to a lot of companies that it could be difficult to drill in the state. He also said that local rules, such as the Mora County ban on drilling, also send a specific message to the industry.

Jason Sandel, executive vice president of Aztec Well Companies, discussed the troubles faced by the New Mexico natural gas industry and explained information provided in a handout for the committee. (See handout marked Agenda Item 9.) He described the difference between southeastern New Mexico, which is experiencing a boom in the oil industry, and northwestern New Mexico, which is experiencing a recession in the natural gas industry. He discussed the economic impact of the natural gas industry in New Mexico, such as the 46,062 direct and indirect jobs affected by the industry. Mr. Sandel also discussed the fact that his company is willing to help fund construction of a natural gas fueling station in order to provide access to natural gas to more people. He expressed his confusion about the decision of the Farmington City Council to buy more in coal power instead of investing in natural gas.

## **Questions**

A committee member said that it was discovered that, prior to 2003, the necessary industry inspections were not being made in the southern part of the state. The presenters explained that the governor has ordered inspectors to investigate the situation. They also noted that Hobbs has hired its own inspector, so the state does not have to bear that burden, and arrangements are being worked out for that inspector to assist other cities and counties with their inspections.

A committee member suggested that it is important to educate the people of New Mexico about the environmental and economic impacts of the oil and natural gas industry. Mr. Cravens said that the industry understands the importance of water and wants to protect it. Mr. Sandel said safety and environmental compliance is a threshold that must be met in order to work with companies in this industry. He said the industry and communities need to engage in cooperative conversations and create a comprehensive policy for directing the state's energy policy.

A member said he is not surprised that oil is the number-one growth industry in New Mexico and asked whether regulation or overproduction is hurting the natural gas industry. The answer was that both are harmful. More natural gas is being produced than is demanded, which is driving the price of natural gas down. Mr. Sandel said that access to natural gas is also an issue, which could be partially solved with a fueling station such as the one he referred to earlier.

Mr. Cravens said that New Mexico is now a tier 1 level state, which means that the Independent Petroleum Association will provide funds in order to educate residents about the oil and gas industry, and he referred to a chart on the NMOGA web site. A member then asked whether export of natural gas has been considered. Mr. Cravens said that the NMOGA recently hosted a delegation from Japan that is very interested in export because of recent catastrophes with Japanese nuclear facilities.

A member said communities should not be speaking against the industry and then request capital outlay funds provided by the industry. The member then asked how the pit rule is affecting the industry. The answer was that the rig count is going down. A member of the audience, Karin V. Foster, Independent Petroleum Association, said that she is displeased with the pit rule changes, which could affect small operators, and that she welcomed the opportunity to speak to the committee.

On the issue of hydraulic fracturing (fracking), a committee member noted that there is a significant number of instances of water contamination and asked how those issues are addressed. She noted that even though job creation is important, it is important to look at environmental issues, and the committee could use more information. Mr. Cravens noted that the industry is very focused on compliance and investing in safety and the environment, which is a change from the industry of 50 to 60 years ago. Mr. Cravens added that the NMOGA is always available to help educate and speak to people, and it has a lot of useful information on its web site.

Another member commented that it would be helpful for the presenters to prepare and provide a map of the state that shows how much land affected by the industry is owned by the government. He added that over 40% of the state's budget is based on the oil and gas industry, and for every \$.10 increase in the price of natural gas, the state benefits considerably. He suggested that other states are taking advantage of their oil and gas opportunities, and New Mexico should be doing the same.

## **Oil and Gas: Economic Development, Legislation and the Environment — Environmental Concerns**

Mr. Jantz acknowledged that the oil and gas industry contributes to New Mexico's economy. He said that he asked experts who testified in a hearing he attended whether they had foregone resources in New Mexico because of the pit rule, and they all said they had not. This response is also supported by labor statistics. (See handout marked Agenda Item 9.) It took many years to develop leases, build relationships and put infrastructure in place. The biggest driver of an industry is the commodity price. Sound fiscal policy requires regulation.

Mr. Jantz said he does not expect to change the importance of oil and gas to the economy, and the state's infrastructure would not allow abandonment of the industry. A diverse economic base would be more beneficial to the state than relying on oil and gas alone. A report by the Bureau of Business and Economic Research shows that about 3% of New Mexico's jobs are "green jobs", including building efficiency, solar and wind. This is roughly the same percentage as for oil and gas jobs. Regional economists are coming to the conclusion that clean air, clean land and clean water are important to people when they are deciding where to live. It is important to consider the costs of any industry, including oil and gas. Mr. Jantz also refuted the assertion by the industry that there has been no water contamination. Cases of contamination have been reported in Wyoming and Pennsylvania, and some of the evidence of contamination is as recent as within the last decade. There are costs to energy extraction, and those costs have to be weighed against the assets. He noted that Representative Chasey introduced a bill that would have required a cost assessment.

Tannis Fox, assistant attorney general, said the New Mexico Attorney General's Office (NMAGO) supports environmentally responsible oil and gas exploration and production. She said the NMAGO believes economics and environmental friendliness can both be satisfied. She distributed a handout showing proposed amendments to the Oil and Gas Act to update the act's enforcement provisions and financial aspects of the act. Ms. Fox emphasized that the proposed amendments do not increase or add regulatory requirements. (See handout marked Agenda Item 9.) Ms. Fox explained that the proposal is meant to bring the state's oil and gas laws up to the standards of other environmental laws in New Mexico.

Ms. Fox noted that when an environmental law has effective enforcement provisions, it helps encourage compliance with the law and helps protect people and the environment. The state needs to have adequate civil penalties for violations of the Oil and Gas Act or violations will continue. She noted that the vast majority of operators are compliant and that including adequate penalties will level the playing field for those operators who expend resources to comply with the law.

Ms. Fox referred to her materials and stated that the Oil and Gas Act and many of its enforcement provisions were passed in 1935. The suggested revisions shown in her materials are not an effort to make enforcement provisions more aggressive but rather to bring the provisions up to the standards other states use. The standard for Oil and Gas Act violations, like the



standard used for other state environmental laws, should be civil not criminal. The daily financial penalty should be increased from \$1,000 to closer to approximately \$15,000, which is comparable to other states' penalties. If the \$1,000 penalty set in 1935 was adjusted for the current dollar value, it would be approximately \$17,000. Ms. Fox added that the Oil Conservation Division (OCD) of the EMNRD is currently unable to issue administrative compliance orders to operators who are out of compliance with the law. Revising the law to allow the OCD to issue such orders would help with enforcement of the Oil and Gas Act.

### **Questions**

A committee member expressed her disagreement that the state's regulations have not encouraged oil and gas companies to operate in other states. Ms. Foster also said that there has not been an instance of water contamination since new regulations were established. Mr. Jantz clarified his statements by saying that regulations do not cost jobs and that he heard testimony that resources were not being foregone in New Mexico because of the pit rule. He added that the fact that there has been no ground water contamination since regulations were established is accurate, and that fact underscores his statement that regulation is effective. He emphasized that he does not want to demonize or canonize the industry.

### **Adjournment**

There being no further business before the committee, the second meeting of the ERDC for the 2013 interim adjourned at 2:15 p.m.